MARLBORO MEDIUM INCENTIVE PROGRAM

The outcomes we are trying to incent:

- Marlboro Medium Sales (support brand through all activities).
- Rapid distribution of Marlboro Mediums
- Increase in ratio of Marlboro inventory to other PM inventory (not trade other PM space for Marlboro Medium).
- Decrease in Marlboro OOS, pay attention to the whole family.

We will measure through direct shipments and Nielsen and point award system accomplishments through September.

There are two winning categories—Region and Section:

- For the winning Region, all Sections win.
- For the other Regions, the top Section in each Region wins.
- This means a total of 9-10 winning Sections.

(Depending on the winning Region. Section 56, Hawaii, will be treated separately.)

Every full time employee in the Section wins including office administrative staff and including Merchandising Reps (Regular 30 hour week employees). A full list of rules for this will be developed.

The winning award will be valuable merchandise selected from a special catalog.

What the measurement categories are:

- 40% of the score is determined by sales volume
- 30% of score by distribution
- 15% by inventory
- 15% by OOS

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Source: https://www.industrydocuments.ucsf.edu/docs/yzgm0004

A. Sales volume targets will be established for each Region/Section. Volume accomplishments against these targets will be measured through the end of September, and each Region/Section will be ranked on a 1-5/1-29 scale and points awarded.

B. Weighted effective distribution of the combined Marlboro Medium packings will be measured through Nielsen in August. Each Region/Section will be ranked on a 1-5/1-29 scale and points awarded.

C. A three-month (February-April) base inventory ratio of total visible Marlboro inventory to other PM inventory will be established.

$$\frac{\text{(Marboro Inventory)}}{\text{(Other PM inventory)}}$$

At the end of September, Regions/Sections will be ranked on the percent increase in the ratio and points awarded. No points will be given if the actual amount of other PM inventory decreases. In effect, the way to increase the ratio is to add Marlboro inventory, but not from other PM products.

D. A three-month (February-April) base total Marlboro OOS percentage will be established. At the end of September, Region/Section will be ranked on the percent improvement in OOS, and points awarded.

POINT AWARDS

	Marlboro Medium Volume (Thru Sept)	Marlboro Medium Distribution (Thru Aug)	Total Marlboro Inventory (Thru Sept)	Total Marlboro OOS (Thru Sept)
#1 Region	40	30	15	15
#2	35	25	13	13
#3	30	20	10	10
#4	20	15	7	7
#5	10	7	4	4
#1 Section	40	30	15	15
#2	35	25	13	13
#3	30	20	10	10
#4	20	15	7	7
#5	10	7	4	4
All others	5	4	2	2

Winners are determined by total accumulated points.

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Source: https://www.industrydocuments.ucsf.edu/docs/yzgm0004

OTHER CONSIDERATIONS AND ISSUES

Some participants in our preliminary meeting felt that Category C would not provide sufficient protection for our other full margin brands, that in fact, some Sales Force personnel might support (or initiate) swapping out other PM full margin packings for Marlboro Mediums. They proposed an alternate protection category as outlined below, which would become Category D. Original Category D would become a new Category C.

> **A three-month (February - April) base total other full margin OOS percentage will be established. At the end of September, Regions/Sections will be ranked on the percent improvement in OOS and points awarded.**
>
> **They felt the two OOS ratios, one for Marlboro and one for other full margin, would offer protection for total full margin on both aninventory and OOS basis.**

Participants were also of varying opinions as to the weight of each factor (40, 30, 15, 15). Some felt sales volume should not count as heavy.

- If we keep the original Category C, should we count total inventory in C-Stores rather than just visible inventory.
- The highest ranking Section will receive extra award value.
- New hires must be on board as of August 1 to be eligible.
- For those rare occurrences of intersection transfers, participants would be counted in the Section in which they spent the most time.
- The following is suggested volume targets, based on Marlboro Red performance.
  - Column 2, "Pct. Cont.," is the percent the Section contributes to total Marlboro Red volume.
  - Column 3, "Volume Objective." Medium's National Volume Objective, through September is 2.5 billion units. Each Section's objective is based on the percent of contribution to Marlboro Red volume. For example, 3.5% of 2.5 billion = 90 million.
  - Column 4 is the resultant Marlboro Medium share.

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MARLBORO MEDIUM-JUNE THROUGH SEPTEMBER

SECTION	PCT. CONT.	6/91-9/91 VOLUME OBJECTIVE	SHARE
11	3.5%	90	1.92
12	3.5%	90	2.08
13	3.9%	101	1.75
14	4.0%	103	1.97
15	5.2%	134	2.06
16	4.7%	121	1.76
21	3.2%	83	1.64
22	2.5%	65	1.38
23	2.6%	67	1.00
24	3.1%	80	1.20
25	1.8%	46	1.06
26	5.1%	132	1.62
31	2.4%	62	1.14
32	2.0%	52	0.93
33	2.4%	62	1.01
34	3.0%	77	1.09
35	3.4%	88	1.28
36	2.6%	67	1.32
41	3.0%	77	1.15
42	3.1%	80	1.23
43	2.6%	67	1.24
44	3.2%	83	1.24
45	3.7%	96	1.21
46	2.7%	70	1.34
51	3.4%	88	1.39
52	2.4%	62	1.63
53	4.7%	121	1.86
54	4.4%	114	1.66
55	4.4%	114	2.04
56	0.3%	8	1.48
		2,500	1.38

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